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Agenda Item: 5

Performance and Audit Committee

Date of Meeting: 22 March 2023.

Subject: Internal Audit Strategy and Plan.

1. Purpose

1.1. To present the Internal Audit Strategy and Plan for members approval.

2. Recommendations

The Performance and Audit Committee is invited to note:

2.1. That a comprehensive audit planning process has been undertaken by the Chief Internal Auditor.

It is recommended:

2.2. That the Internal Audit Strategy and Plan, attached as Appendix 1 to this report, be approved.

3. Background

3.1. The Public Sector Internal Audit Standards includes the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

4. Planning Process

4.1. The audit plan is reviewed on an annual basis and may be adjusted as necessary in response to changes to the risk profile.

4.2. The audit planning process involves the following activities.

- Reviewing the IJB Risk Register.
- Reviewing strategic and operational plans.
- Reviewing the external audit reports to identify areas of concern.

- Audit work previously undertaken, and the conclusions reached as to whether the systems examined were sound, or that there were weaknesses in the internal controls.
- Any known relevant changes in legislation.
- Consultation with the Chief Officer, the Chair of the Performance and Audit Committee and the Chair of the NHSO Finance and Performance Committee to identify areas of concern which would merit audit attention audit.

5. Contribution to quality

Please indicate which of the Orkney Community Plan 2021 to 2023 visions are supported in this report adding Yes or No to the relevant area(s):

Resilience: To support and promote our strong communities.	No.
Enterprise: To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
Equality: To encourage services to provide equal opportunities for everyone.	No.
Fairness: To make sure socio-economic and social factors are balanced.	No.
Innovation: To overcome issues more effectively through partnership working.	No.
Leadership: To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
Sustainability: To make sure economic and environmental factors are balanced.	No.

6. Resource and financial implications

6.1. There are no resource or financial implications associated directly with this report.

7. Risk and equality implications

7.1. There are no risk or equality implications associated directly with this report.

8. Direction required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.

9. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

10. Authors and contact information

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11. Supporting documents

11.1. Appendix 1: Internal Audit Strategy and Plan.



Internal Audit

Internal Audit Strategy and Plan

Issue date: 10 February 2023

Contents

Introduction.....	1
Internal Audit Objectives.....	1
Audit Needs Assessment	1
Internal Audit Provision	2
Internal Audit Plan	3
Internal Audit Management	4

Introduction

The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

The Chief Internal Auditor must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations and priorities.

The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be developed and delivered in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

Internal Audit Objectives

The primary role of Internal Audit is that of an assurance function which provides an independent and objective opinion on the adequacy of the organisation's control environment. Internal audit work is designed to add value and improve an organisation's operations, in particular in evaluating and improving the effectiveness of risk management, control and governance processes. In addition to the provision of assurances, Internal Audit undertakes non-assurance work including consulting services and fraud related work.

While Internal Audit contributes to the internal control environment by examining, evaluating and reporting to management on its adequacy and effectiveness, it should be noted that management are responsible for ensuring that adequate internal control systems, both financial and non-financial, are in place and that best value is achieved.

Audit Needs Assessment

Previously the audit plan was prepared on an annual basis, this year we are taking a more strategic approach by presenting a three year plan which will be reviewed annually and may be adjusted as necessary in response to changes to the risk profile. Once reviewed the plan will be presented to the Performance and Audit Committee for approval.

The audit planning process involves the following activities.

- Reviewing the IJB risk register.
- Reviewing strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Audit work previously undertaken, and the conclusions reached as to whether the systems examined were sound, or that there were weaknesses in the internal controls.
- Any known relevant changes in legislation.
- Consultation with the Chief Officer, and the Performance and Audit Committee Chair to identify areas of concern which would merit audit attention.

The audit plan details specific areas of audit which will be subject to review. Following each review, audit reports are issued in draft format, initially to provide management the opportunity to agree the factual accuracy of the audit findings. Copies of final audit reports are passed to the

Chief Officer, Chief Finance Officer, External Audit and to any other senior officer of the IJB who is responsible for acting on the recommendations.

The outcomes of audit reports feed into the Internal Audit Annual Report and Assurance Statement which is presented to the Performance and Audit Committee.

The audit plan is prepared by the Chief Internal Auditor and is approved by the Performance and Audit Committee at the start of the financial year. The plan includes sufficient flexibility to allow the Chief Internal Auditor to direct internal audit resources as required so that new local or national issues and risks can be appropriately reviewed, where considered necessary.

Whilst managing the risk of fraud and corruption is the responsibility of senior management, internal audit work is planned to consider and to minimise the risks and exposures that could allow fraud or corruption to occur.

Internal Audit Provision

The role of IJB Chief Internal Auditor will be fulfilled by the Orkney Islands Council (OIC) Chief Internal Auditor for a five-year period from April 2021.

OIC Internal Audit Section and Azets, the internal audit provider for NHS Orkney, will provide internal audit resource to support completion of the IJB internal audit plan.

Given the range and complexity of areas to be reviewed, it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Member of the Institute of Internal Auditors), CCAB (Consultative Committee of Accountancy Bodies qualified accountant) or equivalent and be suitably experienced.

Internal auditors are required to conform to the Codes of Ethics of the professional accountancy bodies of which they are members and to the Code of Ethics and standards included within the PSIAS. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

Internal Audit is independent and does not have any operational responsibilities. It does not 'own' any system or have any responsibility for any aspect of work subject to audit. Auditors are not assigned assurance work in areas where they have had any recent operational or other involvement.

Internal Audit Plan

Auditable Area	Last Audit	2023/24 Days	2024/25 Days	2025/26 Days	Outline Scope
Strategic Commissioning Plan	January 2020		5		Review arrangements for providing directions to OIC and NHSO, and that compliance with these is monitored and reported.
Integration Scheme	November 2018			5	Review the various elements of the Integration Scheme and obtain evidence that these are being complied with.
Financial Planning Monitoring and Reporting	August 2020			5	Review arrangements in place for overall financial planning of the IJB. Review the reporting framework, and how financial performance is monitored against budgets.
Risk Management	February 2022				Review the risk management framework to ensure it is fit for purpose and ensures the Board are aware of the potential risks affecting the IJB and its ability to deliver on the strategic plan.
Internal Communication & Engagement		5			Review of strategy and policies for communication and engagement with partner bodies and staff.
External Communication & Engagement		5			Review of community communication and engagement strategies and policies.
Performance Management	March 2023				Review the annual performance reporting procedures
Locality Planning Groups	October 2019		5		Review the terms of reference, roles and responsibilities established, how the groups contribute to planning and the support provided to the groups.
Corporate Governance	February 2021				Review of governance, standing orders, reporting, provision of training and information to board members.

					Review a sample of the key elements of the Code of Corporate Governance.
Workforce Planning	December 2022				Review the position with workforce planning in relation to partners and the strategic plan.
Business Continuity and Disaster Recovery					Review of business continuity and disaster recovery arrangements.
Information Governance and Data Sharing	February 2022				Review information sharing agreements and compliance with GDPR

Internal Audit Management

Management Task	Number of days
Performance and Audit Committee	3
Internal Audit Planning	1
Internal Audit Annual Report	1
Follow up of Audit Actions	1
Administration	2

Performance Management and Risk Software (Pentana Risk) is used to track the implementation of agreed internal audit recommendations. The progress on implementing agreed actions will be checked via this system on a three-monthly basis and actions assessed as not complete and overdue are reported to the Management Team and the Performance and Audit Committee.

Internal Audit will review the assessments provided by responsible officers and where any recommendations have been marked as complete, will complete checks to confirm the assessments. Where it is confirmed that actions have been completed, the recommendations will be archived on the system.